

Costs of advertising for procurement of items or services related to patient care, and for sale or disposition of surplus or scrap material are treated as adjustments of the purchase or selling price.

Costs of advertising incurred in connection with obtaining bids for construction or renovation of the provider's facilities should be included in the capitalized cost of the asset.

Costs of informational listings of providers in a telephone directory, including the "yellow pages," or in a directory of similar facilities in a given area are allowable if the listings are consistent with practices that are common and accepted in the industry.

Costs of advertising for any purpose not specified above or not excluded in the non-allowable cost section of this plan may be allowable if they are related to patient care and are reasonable.

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3. Barber and Beauty Expense. The cost of providing barber and beauty services to residents is considered an allowable cost only if the residents are not charged for these services.

4. Board of Directors Fees. Fees paid to corporate board members for actual attendance at Board of Directors' meetings are allowable costs, subject to the test of reasonableness. For this purpose, the table below will assist in the determination of reasonable fees. Related travel expenses, as long as determined reasonable, will also be considered an allowable cost. This table is effective for the calendar year 1991. The Division of Medicaid will update the table annually based on the change in the Consumer Price Index for all urban consumers (all items). The Division of Medicaid will issue a new table each year that will contain the limitations, as computed above, for the previous calendar year. The new limits will be published in the Medicaid Bulletin. The table for calendar year 1991 is as follows:

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Nursing Facilities
and
ICF-MR Facilities

Annual Director's Fees

0 to 99 Beds	Total fees of \$2,288 per meeting, maximum of 4 meetings per year
100 to 199 Beds	Total fees of \$3,432 per meeting, maximum of 4 meetings per year
200 to 299 Beds	Total fees of \$4,576 per meeting, maximum of 4 meetings per year
300 to 499 Beds	Total fees of \$5,720 per meeting, maximum of 4 meetings per year
500 or More Beds	Total fees of \$6,864 per meeting, maximum of 4 meetings per year

5. Compensation of Outside Consultants. This includes, but is not limited to, activities consultants, medical directors, registered nurses, pharmacists, social workers, dieticians, medical records consultants, psychologists, physical therapists, speech therapists, occupational therapists, dentists, and other outside services related to patient care.

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6. Contract Labor. This includes, but is not limited to, payments for contract registered nurses, licensed practical nurses, aides, therapists, dietary services, housekeeping services and maintenance services and agreements.
7. Depreciation Expense. Assets purchased for an amount less than or equal to \$500 should be included in allowable costs as a current period expense. Assets purchased on or after January 1, 1992, excluding vehicles, for an amount greater than \$500 but less than the amount determined to be the cost of a new bed as defined in Chapter 3 for nursing facilities, Chapter 4 for ICF-MR's, or Chapter 5 for Nursing Facilities - Psychiatric should be depreciated using the straight line method over three (3) to five (5) years. Vehicles purchased for facility use that are related to patient care, which may have been purchased prior to January 1, 1992, should be depreciated using the straight line method over three (3) to five (5) years and the depreciation expense should be included in Administrative and Operating Costs on the cost report. Items, excluding
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vehicles, purchased for an amount equal to or greater than the new bed value determined for the year of the purchase in accordance with other portions of this plan, should be considered as either new beds, replaced beds, or a renovation. In facilities with distinct parts, purchases not solely related to the certified beds for the classification being considered will be allocated between the certified beds for the classification being considered and the other beds in the facility. The allocation will be based on the number of beds in the classification being considered to total facility beds at year end. The portion allocated to the classification being considered must be equal to or greater than the new bed value determined for the year of purchase in order to be considered as either new beds, replaced beds, or a renovation in accordance with the other portions of this plan. Portions allocated to the classification being considered which are below the new bed value determined for the year of purchase should be depreciated in accordance with this section. Assets purchased for use solely by the portion of the facility other than the classification being considered will not be considered as

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new beds, replaced beds, renovated beds, or for depreciation expense.

8. Dues. Providers customarily maintain memberships in a variety of organizations and consider the costs incurred as a result of these memberships to be ordinary provider operating costs. Some of those organizations promote objectives in the provider's field of health care activity. Others have purposes or functions which bear little or no relationship to this activity. In order to determine for Medicaid purposes the allowable costs incurred as a result of membership in various organizations, memberships have been categorized into three basic groups: (A) professional, technical or business related; (B) civic; and (C) social, fraternal, and other. The Division of Medicaid will look to comparable providers, as well as to the justification by the individual provider, in determining the reasonableness of the number of organizations in which the provider maintains memberships and the claimed costs of such memberships.

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- A. Professional, Technical, or Business Related Organizations. Organizations are classified in this category if their functions and purposes can be reasonably related to the development and operation of patient care facilities and programs, or the rendering of patient care services. Memberships in these organizations are generally comprised of provider, provider personnel, or others who are involved or interested in patient care activities. Costs of memberships in such organizations are allowable for purposes of program reimbursement.
- B. Civic Organizations. These organizations function for the purpose of implementing civic objectives. Reasonable costs of membership are an allowable cost. Examples of these type of dues are: American Legion, Chamber of Commerce, Rotary Club, Kiwanis Club, Lions Club, and Jaycees.

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C. Social, Fraternal, and Other Organizations.

Generally, these organizations concern themselves with activities unrelated to their members' professional or business activities. Their objectives and functions cannot be considered reasonably related to the care of beneficiaries.

Consequently, provider costs incurred in connection with memberships in social, fraternal, and other organizations are not allowable.

9. Legal Fees. Legal fees are allowable if they are related to patient care or incurred in the usual and customary operations of a facility. Legal fees resulting from suits against federal and/or state agencies administering the Medicaid program are not allowable costs unless the provider prevails in their appeal or litigation.

10. Management Fees Paid to Related Parties and Home Office Costs. The allowability of the cost of management fees paid to related parties and home office costs will be based on HIM-15 standards.

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11. Management Fees Paid to Unrelated Parties. The allowability of the cost of purchased management services will be based on HIM-15 standards.
12. Organization Costs. Organization costs are those costs directly incident to the creation of a corporation or other form of business. These costs are an intangible asset in that they represent expenditures for rights and privileges which have a value to the enterprise. The services inherent in organization costs extend over more than one accounting period and thus affect the costs of future periods of operation.

Allowable organization costs include, but are not limited to, legal fees incurred in establishing the corporation or other organization (such as drafting the corporate charter and by-laws, legal agreements, minutes of organizational meeting, terms of original stock certificates), necessary accounting fees, expenses of temporary directors and organizational meetings of directors and stockholders, and fees paid to States for incorporation.

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The following types of costs are not considered allowable organization costs: costs relating to the issuance and sale of shares of capital stock or other securities, such as underwriters' fees and commissions, accountant's or lawyer's fees, cost of qualifying the issues with the appropriate state or federal authorities, stamp taxes, etc.

Allowable organization costs should be amortized over a period of not less than sixty (60) months.

13. Owners' Salaries. A reasonable allowance of compensation for services of owners is an allowable cost, provided the services are actually performed in a necessary function. The requirement that the function be necessary means that had the owner not rendered the services, the institution would have had to employ another person to perform them. The services must be pertinent to the operation and sound conduct of the facility.

Compensation paid to an employee who is an immediate relative of the owner of the facility is also reviewable

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